Telekom Malaysia (T MK)

Turning Sustainability Commitments Into Everyday Action

HOLD (Maintained)

Share Price	RM7.41
Target Price	RM7.00
Upside	-5.86%

Highlights

- TM remains the telco market leader in driving sustainable practices, underscored by: a) clear emission reduction targets, b) tangible improvements in energy efficiency, and c) active RE adoption.
- Its robust involvement in rural community development, disaster relief efforts, and education accessibility initiatives positions it ahead of sector peers.
- HOLD with a DCF-based target price of RM7.00.

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Analysis

- **TM's net zero aspirations…** Telekom Malaysia (TM) is committed to achieving net zero carbon emissions by 2050, driven by the integration of sustainable practices across its daily internal operations, network design and service delivery.
- **…implemented through four pillars.** This principle is embedded across TM's operational ecosystem, reflected through initiatives including: a) green **procurement policy**; b) **life cycle assessment (LCA) approach** – applied from material sourcing to decommissioning, enabling TM to evaluate and minimise environmental impacts across its value chain while extending equipment lifespans; c) renewable energy (RE) adoption – through solar installations and RE power purchase agreements (reflecting 21% of total energy consumption, leading to significant Scope 2 emissions reduction); and d) sustainable mobility transition – with a 20% reduction in fleet size and progressive EV adoption to lower Scope 1 emissions. TM saw a 30% total emission reduction in 2024 (from 2019 baseline), which puts it on track for meeting its near-term carbon emissions reduction targets of 34% by 2025 and 45% by 2030.
- **Potential CRESS to reduce emission from DC expansion.** As TM expands its data centre (DC) portfolio in Johor and Cyberjaya (IPDC and KVDC), electricity consumption will see a massive spike given the energy-intensive nature of DC operations. TM is actively engaging independent power producers (IPP) to work around optimal solutions to tackle the projected influx in Scope 2 emissions (emissions from purchased grid electricity). Solar PPA initiatives via the Corporate Renewable Energy Supply Scheme (CRESS) or large-scale solar installations for self-consumption remain the most economical and effective option to reduce Scope 2 emissions.

Key Financials

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	11,690.2	11,712.4	12,558.5	13,050.8	13,570.0
EBITDA	4,502.0	4,474.0	4,666.7	4,796.3	4,934.1
Operating profit	1,706.3	2,324.6	2,508.8	2,670.6	2,844.6
Net profit (rep./act.)	1,870.5	2,016.9	1,724.0	1,807.8	1,931.3
Net profit (adj.)	1,801.1	1,728.4	1,724.0	1,807.8	1,931.3
EPS	46.9	45.0	44.9	47.1	50.3
PE	15.8	16.5	16.5	15.7	14.7
P/B	3.1	2.8	2.7	2.5	2.4
EV/EBITDA	6.8	6.5	6.1	5.8	5.5
Dividend yield	2.8	4.2	4.2	4.4	4.8
Net margin	13.3	13.2	13.8	13.9	14.1
Net debt/(cash) to equity	19.7	3.9	(1.6)	(8.7)	(15.9)
Interest cover	3.6	5.4	5.4	5.1	4.9
ROE	19.7	17.1	16.2	16.2	16.5
Consensus net profit	-	-	1,696.0	1,766.0	1,822.0
UOBKH/Consensus (x)	-	-	1.0	1.0	1.1

Source: TM, Bloomberg, UOB Kay Hian

Stock Data

GICS Sector	Communication Services
Bloomberg ticker	T MK
Shares issued (m)	3,837.7
Market cap (RMm)	28,437.6
Market cap (US$m)	6,724.4
3-mth avg daily t'over (US$m)	11.7

Price Performance (%)

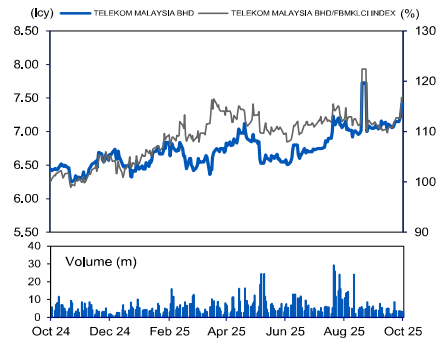
52-week high/low				RM7.73/RM6.19
1mth	3mth	6mth	1yr	YTD
5.1	9.9	10.8	12.6	11.4

Major Shareholders

	%
Employees Provident Fund	22.7
Khazanah Nasional Bhd	20.1
Kumpulan Wang Persaraan	10.0

FY25F NAV/Share (RM)	2.77
FY25F Net Debt/Share (RM)	(0.04)

Price Chart



Source: Bloomberg

Company Description

Fixed line operator that provides services including fixed voice, mobile, fixed broadband, and leasing of fibre optics. It also provides ICT solutions to corporates/SMEs.

- **Yayasan TM: Mobilising community investments and donations**. In 2024, TM deployed a total amount of RM39.8m for community investments, corporate donations and education scholarships/grants. These allocations were disbursed through various internal, governmental and collaborative projects, including: a) disaster relief response and preparedness support, benefitting around 26,000 individuals; b) digital empowerment initiatives for micro small medium enterprises (MSME) and rural communities, benefitting >500,000 individuals and businesses through education and skills development; and c) education and employability upliftment programmes, reaching >7,000 students from low-income and marginalised communities. Moving forward, TM continues to advance its commitment to rural empowerment through its flagship Jangkau Digital programme, first implemented in Kampung Mukut, Pulau Tioman (directly benefitting >100 residents). The initiative is designed to expand digital accessibility, catalyse local economic growth via MSME capacity-building, and strengthen educational inclusion.

Valuation/Recommendation

- **Maintain HOLD with a DCF-based target price of RM7.00.** Our target price has factored in a 64MW JV DC with Singapore Telecommunications. The DC will be a four-storey building and is expected to be operational in 2026. A blue-sky scenario (200MW DC) implies a fair value of RM7.80.

Earnings Revision/Risk

- No revision to earnings.
- **Key risk.** A recession may dampen TM One's corporate sales and lead to heightened risks of ballooning trade receivables.

Share Price Catalyst

- **TM positions itself as sustainability leader among Malaysian telco peers.** Our assessment indicates that TM leads its peers in sustainability performance underscored by extra reporting initiatives and RE adoption. However, expanding DC portfolios, particularly TM's Johor and Cyberjaya projects, pose risks of higher Scope 2 and future Scope 3 emissions, underscoring the need for greater renewable sourcing and transparency as the sector moves toward mandatory comprehensive disclosures by 2027.

Environmental, Social, Governance (ESG)

Environmental

- Achieved 30% carbon emission reduction from 2019 baseline in 2024 through managing direct emissions, reducing energy-related emissions and adopting renewable energy generation.

Social

- Contributed nearly RM1.2m (through Yayasan TM and partnerships) to provide humanitarian relief efforts nationwide, assisting over 25,000 people from the affected communities.

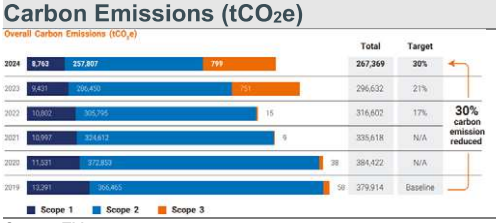
Governance

- Good company transparency along with an anti-bribery and anti-corruption policy.
- Integrity screening of new vendors' background through MACC's Integrity Screening E-System.

Carbon Reduction Target

Source: TM

Carbon Emissions (tCO_2e)



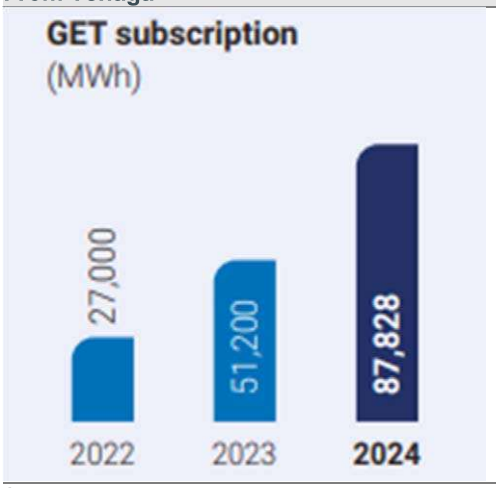
Source: TM

Electricity Consumption Breakdown (MWh)

TM Electricity Consumption Breakdown by Sites (MWh)	2023	2024
Network	328,265	**317,194**
Building – Commercial	21,136	**19,853**
Building – Data Centre	79,701	**83,866**
Total	**429,102**	**420,913**
Renewable Energy (GET)	(51,200)	**(87,828)**
Percentage RE/Total Energy Consumption	**11.9%**	**20.9%**

Source: TM

Green Energy Tariff (GET) Subscription From Tenaga



Source: TM

Profit & Loss

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	**11,712.4**	**12,558.5**	**13,050.8**	**13,570.0**
EBITDA	4,474.0	4,666.7	4,796.3	4,934.1
Deprec. & amort.	2,149.4	2,157.9	2,125.7	2,089.5
EBIT	2,324.6	2,508.8	2,670.6	2,844.6
Associate contributions	8.1	8.1	8.1	8.1
Net interest income/(expense)	(177.1)	(219.6)	(214.8)	(202.2)
Pre-tax profit	**2,177.2**	**2,297.4**	**2,463.9**	**2,650.5**
Tax	(138.3)	(551.4)	(591.3)	(636.1)
Minorities	(22.0)	(22.0)	(64.8)	(83.0)
Net profit	**2,016.9**	**1,724.0**	**1,807.8**	**1,931.3**
Net profit (adj.)	1,728.4	1,724.0	1,807.8	1,931.3

Balance Sheet

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	11,429.3	11,280.8	11,112.7	10,923.0
Other LT assets	2,795.7	2,803.8	2,811.9	2,820.0
Cash/ST investment	3,096.2	4,085.4	5,232.4	6,363.3
Other current assets	3,841.3	4,162.4	4,281.6	4,407.3
Total assets	**21,162.5**	**22,332.4**	**23,438.6**	**24,513.7**
ST debt	1,381.0	1,422.4	1,465.1	1,509.1
Other current liabilities	4,904.3	5,107.6	5,267.3	5,435.2
LT debt	2,109.9	2,495.9	2,792.7	2,993.4
Other LT liabilities	2,501.4	2,501.4	2,501.4	2,501.4
Shareholders' equity	10,099.7	10,616.9	11,159.2	11,738.6
Minority interest	166.2	188.2	253.0	336.0
Total liabilities & equity	**21,162.5**	**22,332.4**	**23,438.6**	**24,513.7**

Cash Flow

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	**4,010.6**	**3,778.0**	**4,030.6**	**4,137.9**
Pre-tax profit	2,177.2	2,297.4	2,463.9	2,650.5
Tax	(138.3)	(551.4)	(591.3)	(636.1)
Deprec. & amort.	2,149.4	2,157.9	2,125.7	2,089.5
Associates	(8.1)	(8.1)	(8.1)	(8.1)
Working capital changes	(3.0)	(117.8)	40.5	42.2
Non-cash items	(166.6)	-	-	-
Investing	**(1,002.2)**	**(2,009.4)**	**(1,957.6)**	**(1,899.8)**
Capex (growth)	(1,589.0)	(2,009.4)	(1,957.6)	(1,899.8)
Investments	(36.7)	-	-	-
Others	623.5	-	-	-
Financing	**(2,708.5)**	**(779.4)**	**(926.0)**	**(1,107.2)**
Dividend payments	(1,176.9)	(1,206.8)	(1,265.4)	(1,351.9)
Issue of shares	0.5	-	-	-
Proceeds from borrowings	(1,272.3)	427.4	339.4	244.7
Others/interest paid	(259.8)	-	-	-
Net cash inflow (outflow)	**299.9**	**989.2**	**1,147.0**	**1,130.9**
Beginning cash & cash equivalent	**2,697.9**	**2,973.1**	**3,962.3**	**5,109.3**
Changes due to forex impact	(24.7)	-	-	-
Ending cash & cash equivalent	**2,973.1**	**3,962.3**	**5,109.3**	**6,240.2**

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	38.9	37.2	36.8	36.4
Pre-tax margin	38.4	38.3	39.3	40.5
Net margin	14.8	13.7	13.9	14.2
ROA	8.2	7.7	7.7	7.9
ROE	17.1	16.2	16.2	16.5
Growth				
Turnover	0.2	7.2	3.9	4.0
EBITDA	(0.6)	4.3	2.8	2.9
Pre-tax profit	20.4	5.5	7.2	7.6
Net profit	7.8	(14.5)	4.9	6.8
Net profit (adj.)	(4.0)	(0.3)	4.9	6.8
EPS	(4.0)	(0.3)	4.9	6.8
Leverage				
Debt to total capital	0.2	0.2	0.3	0.3
Debt to equity	0.3	0.4	0.4	0.4
Net debt/(cash) to equity	(0.0)	0.0	0.1	0.2
Interest cover (x)	5.4	5.4	5.1	4.9

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